

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 6-7, 2006

Reference No.: 2.6f.
Action Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: William D. Bronte
Chief
Division of Rail

Subject: **FINANCIAL ALLOCATION FOR PUBLIC TRANSPORTION ACCOUNT (PTA)
FUNDS FOR FY 2006-07 FOR INTERCITY RAIL AND FEEDER BUS SERVICES
RESOLUTION MFP-06-08**

RECOMMENDATION:

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the attached resolution, allocating \$49,552,000 of Public Transportation Account (PTA) funds for support of the Department's intercity rail and feeder bus services on the Pacific Surfliner and San Joaquin routes for FY 2006-07.

PROJECT DESCRIPTION:

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: Department intercity passenger rail and feeder bus services with Amtrak. \$49,552,000 from the PTA will support the costs of Amtrak contracted service on the two State administered intercity rail routes in FY 2006-07 as follows:

- \$22,149,883 for the Pacific Surfliner Route (11 San Diego-Los Angeles weekday round-trips, 12 San Diego-Los Angeles weekend round-trips, and five Los Angeles-Santa Barbara daily round-trips with two of these trains continuing to San Luis Obispo, plus three Amtrak Thruway bus routes).
- \$27,402,117 for the San Joaquin Route (four Bakersfield-Stockton-Oakland daily round-trips, and two Bakersfield-Stockton-Sacramento daily round-trips, plus 13 Amtrak Thruway bus routes).

BACKGROUND:

DEPARTMENT ADMINISTRATION OF INTERCITY RAIL SERVICES

Pursuant to Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating funds for intercity rail operating support that are appropriated to the Department for this purpose. Chapter 263 of the Statutes of 1996 (SB 457, Kelly) added Government Code Section

14031.8 and specifies that the Secretary of the Business, Transportation, and Housing (BTH) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. In July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Secretary of BTH is responsible for allocating funds for that route.

Because the Commission does not allocate funds for the Capitol Corridor, this Route is not covered in detail in this document. However, data is provided for FY 2006-07 on costs and revenues and the appropriation level for the Capitol Corridor and for farebox ratios from Federal Fiscal Year (FFY) 2004-05 through FFY 2006-07 on the three State funded intercity rail routes. Additionally, on a quarterly basis, the Department provides the Commission data and analysis presenting actual ridership, expenses, revenues, and farebox ratio on all three intercity routes.

INTERCITY RAIL APPROPRIATION IN THE FY 2006-07 BUDGET ACT

Provision 1 of Item 2660-001-0046 of the FY 2006-07 Budget Act appropriates \$73,138,000 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Budget.) The appropriation amount is based on Amtrak's contract estimates for State costs for rail services on the Pacific Surfliner, San Joaquin, and Capitol Corridor routes. The table below shows how the \$73.1 million is distributed among the three routes.

FY 2006-07 Budget Appropriation (Item 2660-001-0046) For State-Supported Intercity Rail Routes	
ROUTE	PTA FUNDS
Pacific Surfliner	\$22,149,883
San Joaquin	<u>\$27,402,117</u>
Allocation Request	\$49,552,000
Capitol Corridor	<u>\$23,586,000</u>
Budget Total	\$73,138,000

ALLOCATION AMOUNT

Pacific Surfliner and San Joaquin Routes

The Department is requesting an allocation of \$49,552,000 for the Pacific Surfliner and San Joaquin routes. This allocation request will fund service on the two routes for FFY 2006-07 (October 2006 – September 2007). The table on the following page compares the funds requested for FFY 2006-07 to those allocated for FFY 2005-06, as well as actual expenditures for FFY 2004-05.

Trends in State Costs

As reflected in the table below, combined State costs in FFY 2006-07 for anticipated services on the San Joaquin and Pacific Surfliner routes are projected to be \$49,552,000. This is the same amount that was allocated from FFY 2002-03 through FFY 2005-06. FFY 2006-07 costs of \$23,586,000 for service on the Capitol Corridor are also the same as in FFY 2005-06. Five years of stable State costs is an extremely positive trend and is unprecedented in the history of State-supported intercity rail service. While the total costs for the Pacific Surfliner and San Joaquin routes are projected to remain the same, there is a minor increase in costs in FFY 2006-07 on the Pacific Surfliner route as compared to FFY 2005-06, offset by a minor decrease in costs on the San Joaquin route.

FFY 2004-05 - 2006-07 State-Supported Intercity Rail Routes State Costs (\$ in thousands)			
ROUTE	FFY 2004-05 (Allocation)	FFY 2005-06 (Allocation)	FFY 2006-07 (Current request)
Pacific Surfliner	\$20,949	\$20,165	\$22,150
San Joaquin	<u>\$28,603</u>	<u>\$29,387</u>	<u>\$27,402</u>
State-Administered Routes - Totals	\$49,552	\$49,552	\$49,552
Capitol Corridor	<u>\$23,586</u>	<u>\$23,586</u>	<u>\$23,586</u>
All Routes - Totals	\$73,138	\$73,138	\$73,138

Allocation Transfer Between Routes

The Commission has recognized in its allocation resolutions for prior years that actual expenditures by route may differ from the estimates provided in the allocation request. Thus, as in prior years, the Department requests the Commission grant the authority to transfer between the San Joaquin and Pacific Surfliner State-administered routes up to ten percent of the amount allocated to each route, based upon actual expenditures or emergency situations. The Department will report these changes, if any, to the Commission in the quarterly report. The Commission must approve changes above ten percent prior to expenditure.

FINANCIAL PERFORMANCE OF ROUTES

The table on the following page shows the projected financial performance of the three State-supported routes. Total expenses for State-supported services (operating expenses and minor capital costs), less revenues from passengers (ticket revenue plus food and beverage revenues) equal the net loss of services, which is covered by the State. For the three State-supported intercity routes, Amtrak projects total operating expenses of \$156.6 million and minor capital costs of \$1.125 million. Subtracting passenger revenue of \$84.6 million results in State support of \$73.1 million. The composite farebox ratio for the three State-supported routes is projected at 54 percent. (Farebox ratio equals revenues divided by total operating expense; minor capital costs are not included in total expenses used to calculate the farebox ratio.) The farebox ratio for the Pacific Surfliner Route is projected at 61 percent, the San Joaquin Route at 54 percent, and the Capitol Corridor at 46 percent.

FFY 2006-07 State-Supported Intercity Rail Routes Projected Financial Performance (\$ in thousands)					
ROUTE	TOTAL EXPENSES	PASSENGER REVENUES	MINOR CAPITAL EXPENSES**	NET LOSS (STATE SUPPORT)	FAREBOX RATIO**
Pacific Surfliner *	\$55,875	\$33,975	\$250	\$22,150	61%
San Joaquin	\$58,398	\$31,246	\$250	\$27,402	54%
Capitol Corridor	\$42,356	\$19,395	\$625	\$23,586	46%
Totals	\$156,629	\$84,616	\$1,125	\$73,138	54%

* Excludes Amtrak 30 percent basic system share of route.

** Minor capital expenses are not included in the calculation of the farebox ratio. Capital Corridor Reinvestment Program also included in Minor Capital.

The following table shows the farebox recovery ratios for all three routes from FFY 2004-05 through FFY 2006-07. For the Pacific Surfliner and the San Joaquin routes combined, the estimated farebox recovery ratio for FFY 2006-07 is eight percent higher than the actual farebox recovery ratio for year-to-date FFY 2005-06 (October 2005 – June 2006). For the Capitol Corridor, the estimated farebox recovery ratio for FFY 2006-07 is projected to be six percent higher than in FFY 2005-06. Note that the year-to-date data on all three routes does not include the high ridership summer months that traditionally bring up the full-year farebox ratio.

FFY 2004-05 - 2006-07 State-Supported Intercity Rail Routes Farebox Ratios			
ROUTE	FAREBOX RATIO		
	FFY 2004-05 (Actual)	FFY 2005-06 (Actual Oct.-June*)	FFY 2006-07 (Budget)
Pacific Surfliner	55%	53%	61%
San Joaquin	45%	45%	54%
Capitol Corridor	38%	40%	46%
Totals	48%	47%	54%

* June revenue data is estimated.

FUNDING OUTLOOK FOR FY 2007-08 AND BEYOND

Amtrak's April 2005 "Strategic Reform Initiatives and FY 06 Grant Request" stated: "States will transition to covering fully-allocated operation losses (excluding interest and depreciation), plus an equipment capital charge, on all short distance corridor trains over a four year period starting in Fiscal Year (FY) 2008 and completed by FY 2011." In January 2006, the Amtrak Board stated that they would like to see the implementation of this initiative go forward. Therefore, it is likely that Amtrak will begin to increase costs for State-supported intercity rail services, consistent with the Amtrak Board's policy, starting in 2007-08.

The Department's 10-year vision as presented in the *2005-06 –2015-16 California State Rail Plan* for the Pacific Surfliner Route is hourly service (13 round-trips) between Los Angeles and San Diego, with one additional round-trip from San Diego to Los Angeles to start in 2009-10. The Department's 10-year vision for the San Joaquin Route is eight round-trips, with a third round-trip between Bakersfield and Sacramento (for a total of seven round-trips) to start in 2010-11.

Attachment

CALIFORNIA TRANSPORTATION COMMISSION

Commission Allocation Approval Federal Fiscal Year (FFY) 2006-07 Amtrak (Intercity Rail) Operating Support

Resolution MFP-06-08

- 1.1 WHEREAS, under Section 99316 of the Public Utilities Code, the California Transportation Commission (Commission) has responsibility for allocating intercity rail operating funds that are appropriated to the Department of Transportation (Department) for Department-administered corridors; and
- 1.2 WHEREAS, Provision #1 of Item 2660-001-0046 of the Budget Act of 2006-07 appropriates \$73,138,000 of Public Transportation Account (PTA) funds for intercity rail services; and
- 1.3 WHEREAS, Government Code Section 14031.8 specifies that the Secretary of the Business, Transportation and Housing (BT & H) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. On July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Commission does not allocate funds for that route; and
- 1.4 WHEREAS, \$23,586,000 in budget funds are reserved for the Capitol Corridor, and the remaining \$49,552,000 in budget funds are reserved for the San Joaquin and Pacific Surfliner routes; and
- 1.5 WHEREAS, for the three state-supported intercity routes, Amtrak projects total operating expenses, including minor capital costs, of \$157.7 million. Subtracting passenger revenue of \$84.6 million, results in State support of \$73.1 million. The composite farebox ratio for the three state administered routes is projected at 54 percent (revenues/total operating expense), while the farebox ratio for the Pacific Surfliner Route is projected at 61 percent, the San Joaquin Route at 54 percent and the Capitol Corridor at 46 percent; and
- 1.6 WHEREAS, the Commission recognizes that actual expenditures on the Pacific Surfliner and San Joaquin route may differ from current estimates. For changes of ten percent or less, the Department has total flexibility to transfer funds between the Pacific Surfliner and San Joaquin routes and will report these changes to the Commission on a quarterly basis; changes above ten percent must be approved by the Commission prior to expenditure. Transfers can be made based upon actual expenditures or emergency situations.

- 2.1 NOW THEREFORE BE IT RESOLVED, that a total of \$49,552,000 be allocated to the Department for intercity rail and feeder bus services with Amtrak as follows:

Pacific Surfliner Route	\$22,149,883
<u>San Joaquin Route</u>	<u>\$27,402,117</u>
TOTAL	\$49,552,000

- 2.2 BE IT FURTHER RESOLVED, that authority is delegated to the Department to transfer funds between the Pacific Surfliner and San Joaquin routes if the changes are less than or equal to ten percent; and
- 2.3 BE IT FURTHER RESOLVED, that the Department will report these changes to the Commission on a quarterly basis. Changes above ten percent must be approved by the Commission prior to expenditure.